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April 14, 2007

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-B204
Washington, DC 20554

**Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45
WC Docket No. 05-337**

Dear Madam Secretary:

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an oral *ex parte* presentations in connection with the above-captioned proceedings.

On Friday, April 13, 2007, undersigned counsel on behalf of U.S. Cellular Corp. and the Alliance of Rural CMRS Carriers, met with Barry Ohlson and Scott Bergmann in Commissioner Adelstein's office to discuss the Joint Board's consideration of universal service reform for areas served by rural telephone companies.

We discussed Verizon's reverse auction proposal and reiterated our opposition to reverse auctions. We repeated positions previously placed in the record by correspondence of Cellular South Licenses, Inc. on March 5, 2007. In particular, we discussed how unfair it is for immature networks to bid in an auction against a mature network that has been constructed for decades with support. We also discussed the fact that Verizon's proposal would insulate rural ILECs from auctions until *wireline* network to compete – presumably without support. Given that this has not happened for fifty years over 90% of ILEC study areas, the proposal is a non-starter for rural consumers.

We discussed important reforms the Commission should undertake prior to implementing a reverse auction methodology for providing universal service support. In particular, we urged the Commission to reject caps on CETC funding as

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failing the Commission's core principle of competitive neutrality. We noted that wireless networks across the country are generally immature and growth in CETC support is expected as a result of designations and growth in the wireless industry. We noted that wireline carriers, who are losing access lines at an accelerating pace, continue to draw \$3 billion per year, which is an effective increase in per-line support, and is unsustainable even in the near future.

We discussed how different states would be treated under a cap. For example, South Carolina, Illinois and Missouri could be disproportionately disadvantaged in that they draw little or no support for CETCs and have petitions pending that cover substantial areas unserved or underserved by competitive ETCs.

We discussed the need for the Commission to move quickly to continue the work that has been stalled since 2001. Support must be more accurately targeted and made fully portable. The Commission must not continue to fund legacy wireline networks on the "cost plus" basis currently in effect. The Commission has repeatedly promised to address these issues, but nothing has happened in six years. The lack of substantive reform has opened the door for some to now claim that the current situation represents a crisis. It is anything but. Meaningful short-term reforms we have recommended, plus a broadening of the contribution factor, would be more than enough to right the program and permit the FCC to address the bigger picture issue: how to fund broadband.

We discussed the identical support rule and reiterated that the FCC adopted it to ensure competitive neutrality. We also stated that CETCs are not wedded to the ILECs' costs as the basis for support, only that all carriers must compete for consumers and support dollars on a level playing field. Establishing an efficient support level which is portable to all eligible carriers is the Commission's foremost task. Once the Commission establishes a level of support for an area that is sufficient to provide rural consumers with the benefits specified in Section 254, portability effectively caps support.

The slides presented at the meeting are enclosed. If you have any questions or require any additional information, please contact undersigned counsel directly.

Sincerely,



David A. LaFuria

cc: Scott Bergmann, Esq.
Barry Ohlson, Esq.

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Enclosures